

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT

**REQUIRED DOCUMENTS – COMPREHENSIVE
RENTAL REHABILITATION**

The following list of documents represents file documentation MSHDA expects all grantees to maintain in their local project files. The list of required documents is generally organized in chronological order and broken into key phases in the lifecycle of a specific project.

Several documents may be required in any given file but will not be applicable to every project; these documents are indicated by a parenthetical “if applicable” within the checklist below. For example, a SHPO review is unnecessary for buildings less than 50 years old.

Additionally, documents listed in *italics* are currently not “required” but are recommended by MSHDA and often represent best practices in local programs. While we feel these documents are important enough to specifically list within this checklist, they are not fundamentally required. In most cases, commentary has been provided explaining why and under what circumstances such documents may prove useful.

STEP 1: Applicant Eligibility. The first step is to identify the landlords who will participate in the program and confirm their eligibility.

1. Pre-Application and/or Application: Because a landlord’s “application” for assistance triggers various notice requirements under the Uniform Relation Act (URA), many programs require an initial pre-application from a property owner indicating interest in the rental rehabilitation program and providing basic contact information for any in-place tenants. This allows the program to prepare required URA notices so that they can be delivered at or before the time a formal application is executed.
2. Annual Income and Expense Form
3. Occupancy Report
4. Authority to Release Information (including permission to obtain credit report)
5. *Credit Report*
6. *Verification of Employment/Income for landlord (if acting as PIP community agent)*
7. Verification of Mortgage
8. Verification of Paid Property Taxes
9. *Federal and State Tax returns (most recent two years)*
10. Proof of Property Hazard Insurance
11. Recorded Warranty Deed or Land Contract (or prior deeds tracing owner’s interest back to a recorded Warranty Deed) or Title Insurance: MSHDA expects grantees to trace the current owner’s title back to a recorded warranty deed, and any land contracts must be recorded. If the ownership of the property cannot be clearly traced to a warranty deed, the grantee should obtain a title insurance policy covering its lien on the property.

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12. Land Contract Vendor Acknowledgement/Consent (if applicable)
13. Pre-Evaluation Disclosure of Lead Based Paint

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STEP 2: Tenant Eligibility. Concurrent with an application for assistance from the landlord, Uniform Relocation Act notices need to be provided to tenants. Depending on the specific structure of the project, some or all of the existing tenants' income will need to be verified in order to determine if the project is eligible for assistance. These requirements will vary somewhat depending on the source of funds used for the grant.

1. Copy of URA 1 to tenants
2. Income Verification Package for each tenant household, to include:
 - a. Income Computation Worksheet
 - b. Third Party Verification Monitoring
 - c. Family Composition
 - d. Authorization for Release of Information and Privacy Act Notice
 - e. Declaration of Section 214 Status
 - f. Checklist(s) of income and assets
 - g. Verifications of income, assets, assistance, etc.
3. Lead Based Paint Statement (including *Protect Your Family from Lead in the Home* pamphlet) (Tenants)
4. *Tenant(s) receipt of Fair Housing: It's Your Right* pamphlet

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STEP 3: Property Evaluation and Construction Determination. If the landlord is eligible to participate and the tenants are of the appropriate incomes, the grantee needs to complete a variety of inspections to evaluate the scope of necessary development activity and estimate project costs. Together this information allows an analysis of the specific project's feasibility. Some projects are simply not feasible and may result in denial of an application even if the owner meets other eligibility requirements.

1. Environmental Checklist
2. Historical clearance – SHPO (if applicable)
3. Flood Plain Map or documentation that area is not mapped
4. Noise Attenuation (if applicable)
5. Assessor's Card (to verify age and value of property)
6. Initial Inspection Report (minimum HQS)
7. Work Specifications
8. Cost Estimates
9. Lead Risk Assessment (if applicable)
10. Lead Property Exemption Form (if applicable)
11. Revised Work Specifications and Cost Estimates: Based upon the results of the LBP Risk Assessment, specifications and cost estimates may need to be revised prior to bidding.
12. Owner Acceptance of Specifications
13. Davis Bacon Assessment

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STEP 4: Bidding and Contractor Selection. After determining a project's initial feasibility, a contractor can be identified, and actual costs of the project can be determined.

1. Prepared Bid Package
2. List of Contractors Invited to Bid
3. Copies of bids received
4. Bid Comparison Summary
5. Record of Bid Selection
6. Verification that selected contractor(s) is not on debarred list (<http://epls.arnet.gov>)
7. Notice to unsuccessful bidders
8. **The Setup Proforma should be submitted at this point. The loan closing with the property owner should not take place until the project Setup is approved by MSHDA.**

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STEP 5: Closing and Lien Documents. After the scope of rehab and its specific cost, based on a selected bid, is known and MSHDA has approved the Setup Proforma, a closing can be scheduled with the property owner.

1. *Re-verification of paid property taxes: Depending on how much time has elapsed from the initial verification, program administrators often double-check that any property taxes due since the initial verification have been paid prior to closing.*
2. *Title insurance commitment*
3. URA 2 to tenants
4. Loan Commitment and Agreement
5. Mortgage (suggest use of future advance mortgage): A “Future Advance Mortgage” is one that provides a lien for up to a specified principal amount when the exact size of the final loan may not be known at the closing. For example, most home equity lines of credit are, in fact, mortgage loans secured by a Future Advance Mortgage. Because change orders often affect the size of the loan, rental rehabilitation programs should consider using Future Advance Mortgages to avoid having to record amended mortgages. There are specific legal requirements for the form of Future Advance Mortgages—including specific language that must be included within the document and the requirement that the maximum principal amount of the loan be specified within the document—that can be found at MCL 565.901-565.906. Grantees should consult their own legal counsel with specific questions about modifying mortgage documents.
6. Note(s)
7. Regulatory Agreement (if applicable)
8. Insurance Change Agreement
9. Escrow Agreement
10. Documentation of Owner Match (must be escrowed with grantee at closing) and leveraged funds

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STEP 6: Construction Management. At or after the closing, the property owner should execute the rehab contract, and rehab begins.

1. Contractor(s) License
2. Contractor(s) Insurance
3. Contractor(s) Lead Training/Certification
4. Contract(s) between the Contractor(s) and Property Owner, to include
 - a. Lead Work Contractor attachment
 - b. Equal Opportunity Clause (Executive Order 11246)
 - c. Davis Bacon attachment(s) (if applicable)
5. Recorded Notice of Commencement
6. Notice(s) to Proceed
7. Change Order(s) (if applicable)
8. Interim Payment Requests/Authorizations and Inspection Requests (could be one, two, or three separate forms; could be invoiced by contractor or placed on standard form; requires signature by contractor, property owner, and administrator prior to payment)
9. Sworn Statements (could be incorporated into payment request form from contractor)
10. Partial and Final Unconditional Lien Waivers
11. Lead Clearance Test Results (if applicable)
12. Lead Based Paint Inspection/Compliance Certification Form
13. Copy of Inspection Reports (by local building official, if permit required)
14. Final Inspection Report by Administrator
15. Final Approval by Property Owner
16. Final Payment Request/Authorization (again, could be a combined or separate forms, but should clearly show signature of contractor, approval by property owner, and approval by program staff)
17. Itemized summary listing of all project costs including construction costs, LBP testing costs, LBP remediation activities, and soft costs (if any)
- 18. One or more Revised Proformas may be required during the course of the project as change orders modify the cost of the project. Once all funds have been drawn, the Final Proforma should be submitted.**

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STEP 7: Project Closeout and Ongoing Monitoring. Rental projects are the only ones that carry specific ongoing responsibilities for the grantee. Grantees are required to document ongoing compliance with the tenant income and rent restrictions and property standards required by of rental projects throughout the applicable affordability period (generally 5 years). These requirements vary depending on the source of funds used for the grant. Additionally, MSHDA recommends that grantees survey participants on their experience with the program. It's also a good idea to follow-up six months before the warranty on workmanship and materials expires. While the contractor provides the warranty, property owner will often initially come to the grantee with problems, and it's best to be proactive about identifying problems before the warranty runs out.

1. Annual Rent Limit Notifications
2. Recertification of Annual Income by Tenant Family
3. Third Party Verification of Income for New Tenants
4. Annual HQS Inspections of assisted units/projects
5. *Client Satisfaction Survey: MSHDA recommends that grantees survey participants on their experience with the program.*
6. *Pre-Warranty Expiration Follow-up for warranty repairs: It may be a good idea to follow-up six months before the warranty on workmanship and materials expires. While the contractor provides the warranty, buyers will often initially come to the grantee with problems, and it's best to be proactive about identifying problems before the warranty runs out.*

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**REQUIRED DOCUMENT SUBMISSIONS
RENTAL REHABILITATION**

INSTRUCTIONS: The following documents must be submitted to your Community Development Specialist at various stages of a Rental Rehabilitation project. Grantees should be aware that the list of required document submissions is NOT a comprehensive list of required documents for your local project file. For input on the broader list of documentation you should maintain, please refer to the Comprehensive Required Documents list for Rental Rehabilitation projects.

Additionally, please be aware that MSHDA may randomly select projects for file reviews and request that you submit copies of all documents in your project file for review. For cause, your CD Specialist may also require that you submit other documents during the course of a project to document compliance with MSHDA's requirements.

REMINDER: The three most critical compliance areas for a Rental Rehabilitation project are

1. Compliance with *Uniform Relocation Act* notice and non-displacement requirements at the time of
 - a. the property owner's initial application for assistance and
 - b. a formal commitment for rehab assistance by the local program;
2. Maintenance of tenant *Income Restrictions* and unit housing quality standards for assisted units both at the time of the rehab and during the affordability period; and
3. Compliance, when applicable, with the *Davis Bacon and Related Acts* (DBRA) labor standards in the bidding, award, and oversight of the rehabilitation contract. When mistakes are made in these areas, it is very difficult to correct them and often very costly. If required due to noncompliance, relocation costs, **disallowances for failure to properly rent to income eligible tenants, and DBRA fines and/or back pay costs are the responsibility of the grantee.**

REHAB WITH TENANTS IN PLACE—REQUIRED FOR PROJECT SETUP/COMMITMENT: All projects should be set up and approved by your CD Specialist prior to closing the Rental Rehabilitation loan or signing a contract for rehabilitation. For projects with occupied units, the following documents should be submitted concurrently with your Setup Proforma in OPAL.

- ☐ **Income Verification Package:** If the household income is within 10% of the appropriate Tenant Income Limit (i.e. more than 70% of the Area Median Income for a unit limited to households at or below 80% AMI) or less than \$5,000 from applicable AMI limit, the Income Verification Package must be submitted. Also, if the household income includes income from self-employment, the Income Verification Package must be submitted. Otherwise, the Income Verification Package need not be submitted but should be retained in the local project file

- ☐ 2.2a Income Computation Worksheet
- ☐ 2.2b Third Party Verification Monitoring
- ☐ 2.2c Family Composition
- ☐ 2.2e Declaration of Section 214 Status
- ☐ 2.2f Checklist(s)
- ☐ 2.2g Verifications

Note: Submit these documents for each tenant household to which they apply. In no case is it necessary to submit income documentation for market rate units in a CDBG funded project.

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REHAB OF UNOCCUPIED UNITS—REQUIRED PRIOR TO LEASING UNITS: For projects that are rehabilitating vacant rental units, the following documents should be submitted prior to the execution of a lease between the property owner and a proposed tenant.

☐ **Income Verification Package:** If the household income is within 10% of the appropriate Tenant Income Limit (i.e. more than 70% of the Area Median Income for a unit limited to households at or below 80% AMI) or less than \$5,000 from applicable AMI limit, the Income Verification Package must be submitted. Also, if the household income includes income from self-employment, the Income Verification Package must be submitted. Otherwise, the Income Verification Package need not be submitted but should be retained in the local project file

- ☐ 2.2a Income Computation Worksheet
- ☐ 2.2b Third Party Verification Monitoring
- ☐ 2.2c Family Composition
- ☐ 2.2e Declaration of Section 214 Status
- ☐ 2.2f Checklist(s)
- ☐ 2.2g Verifications

Note: Submit these documents for each tenant household to which they apply. In no case is it necessary to submit income documentation for market rate units in a CDBG funded project.

RR - REQUIRED DOCUMENTS CHECKLIST

	1. APPLICANT ELIGIBILITY	N/A		Date Complete	Initials	Comments
1	Pre-Application					
2	Annual Income and Expense form					
3	Occupancy Report					
4	Authorization for Release of Information and Privacy Act Notice					
5	Credit Report		Recommended			
6	Verification of Employment/Income for Landlord		Recommended			
7	Verification of Mortgage					
8	Verification of Paid Property Taxes					
9	Federal and State Tax Returns		Recommended			
10	Property Hazard Insurance					
11	Recorded Warranty Deed or Land Contract					
12	Land Contract Vendor Acknowledgement/Consent					
13	Pre-Evaluation Disclosure of Lead Based Paint					

RR - REQUIRED DOCUMENTS CHECKLIST

	2. TENANT ELIGIBILITY	N/A		Date Complete	Initials	Comments
1	Copy of URA 1 to Tenants					
2a	Income Computation Worksheet		Potential Submission			
2b	Third Party Verification Monitoring		Potential Submission			
2c	Family Composition		Potential Submission			
2d	Authorization for Release of Information and Privacy Act Notice					
2e	Declaration of 214 Status		Potential Submission			
2f	Checklist(s) of income and assets		Potential Submission			
2g	Verifications of income, assets, assistance, etc.		Potential Submission			
3	Lead Based Paint Statement (including Protect Your Family...)					
4	Tenant(s) receipt of Fair Housing: It's Your Right pamphlet					

RR - REQUIRED DOCUMENTS CHECKLIST

	3. PROPERTY EVALUATION AND CONSTRUCTION DETERMINATION	N/A		Date Complete	Initials	Comments
1	Environmental Checklist					
2	Historical Clearance, SHPO					
3	Flood Plain Map					
4	Noise Attenuation					
5	Assessor's Card					
6	Initial Inspection Report					
7	Initial Work Specifications					
8	Initial Cost Estimates					
9	Lead Risk Assessment					
10	Lead Property Exemption Form					
11	Revised Work Specifications and Cost Estimates		Submit			
12	Owner Acceptance of Specifications					
13	Davis Bacon Assessment					

RR - REQUIRED DOCUMENTS CHECKLIST

	4. BIDDING AND CONTRACTOR SELECTION	N/A		Date Complete	Initials	Comments
1	Prepared Bid Package					
2	List of Contractors invited to Bid					
3	Copies of bids received					
4	Bid Comparison Summary					
5	Record of Bid Selection					
6	Verification selected contractor(s) is not debarred					
7	Notice to unsuccessful bidders					
8	Set-up Proforma		OPAL			

RR - REQUIRED DOCUMENTS CHECKLIST

	5. CLOSING AND LIEN DOCUMENTS	N/A		Date Complete	Initials	Comments
1	Re-Verification of Paid Property Taxes		Recommended			
2	Title Insurance Commitment		Recommended			
3	URA 2 to tenants					
4	Loan Commitment and Agreement					
5	Mortgage					
6	Note(s)					
7	Regulatory Agreement					
8	Insurance Change Agreement					
9	Escrow Agreement					
10	Documentation of Owner Match					

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	6. CONSTRUCTION MANAGEMENT	N/A		Date Complete	Initials	Comments
1	Contractor(s) License					
2	Contractor(s) Insurance					
3	Contractor(s) Lead Training/Certification					
4	Contract between Contractor(s) and Property Owner, to include:					
4a	Lead Work Contractor attachment					
4b	Equal Opportunity Clause (EO 11246)					
4c	Davis Bacon attachments					
5	Recorded Notice of Commencement					
6	Notice to Proceed					
7	Change Orders					
8	Interim Payment / Authorizations / Inspection Requests					
9	Sworn Statements					
10	Partial and Final Unconditional Lien Waivers					
11	Lead Clearance Test Results					
12	Lead Based Paint Inspection / Compliance Certification Form					
13	Copy of Inspection Reports by local building official					
14	Final Inspection Report by Administrator					
15	Final Approval by Property Owner					
16	Final Payment Request / Authorization					
17	Itemized summary listing all project costs					
18	Final Proforma		OPAL			

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	7. PROJECT CLOSEOUT AND ONGOING MONITORING	N/A		Date Complete	Initials	Comments
1	Annual Rent Limit Notifications					
2	Recertification of Annual Income by Tenant Family form					
3	Third Party Verification of Income for New Tenants					
4	Annual HQS Inspections of assisted units/projects					
5	Client Satisfaction Survey		Recommended			
6	Pre-Warranty Expiration Follow-up		Recommended			